

American
Broadcasting •
Paramount
Theatres
INC.

Annual
Report
1961

MRB BOARD
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Board of Directors

A. H. BLANK, Retired—a director of Tri-States Theatre Corporation*
ALGER B. CHAPMAN, Chairman of the Board of Beech-Nut Life Savers, Inc.
and its Chief Executive Officer
JOHN A. COLEMAN, Senior Partner, Adler, Coleman & Co.
E. CHESTER GERSTEN, a director and member of the Executive Committee of
Bankers Trust Company, N. Y.
LEONARD H. GOLDENSON, President of the Corporation
JACK HAUSMAN, President of Belding Hausman Fabrics, Inc.
ROBERT H. HINCKLEY, a director of First Security Corp., Salt Lake City, Utah
ROBERT L. HUFFINES, JR., Chairman of the Board of Worth Fund, Inc.
SIDNEY M. MARKLEY†, Vice President of the Corporation
WALTER P. MARSHALL, President of The Western Union Telegraph Company
JOSEPH A. MARTINO, President of National Lead Company
JAMES G. RIDDELL, Vice President of the American Broadcasting Company Division
SIMON B. SIEGEL, Executive Vice President of the Corporation
OLIVER E. TREYZ, Vice President of the American Broadcasting Company Division
and President of its Television Network

**A subsidiary of the corporation*

Executive Committee

JOHN A. COLEMAN, Chairman	
E. CHESTER GERSTEN	ROBERT L. HUFFINES, JR.
LEONARD H. GOLDENSON	WALTER P. MARSHALL
ROBERT H. HINCKLEY	SIMON B. SIEGEL

Officers

LEONARD H. GOLDENSON	President
SIMON B. SIEGEL	Executive Vice President
EVERETT H. ERLICK	Vice President and General Counsel
JEROME B. GOLDEN	Vice President and Secretary
HERBERT R. HAHN	Vice President
EDWARD L. HYMAN	Vice President
SIDNEY M. MARKLEY†	Vice President
MARTIN BROWN	Treasurer
J. L. BROWN	Comptroller and Assistant Treasurer
FRANKLIN FEINSTEIN	Assistant Secretary
EDITH SCHAFER	Assistant Secretary
MORTIMER WEINBACH	Assistant Secretary

†Resigned March 9, 1962



American Broadcasting

Paramount Theatres, Inc.

Annual Report 1961

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EXECUTIVE OFFICES	7 West 66th Street, New York 23, N. Y.
INDEPENDENT ACCOUNTANTS	Price Waterhouse & Co.
TRANSFER AGENT	Bankers Trust Company
REGISTRAR	The Bank of New York

The Year in Brief

		1961	1960
Income	ABC operating income	\$254,280,000	\$222,439,000
	Theatre operating income	83,328,000	86,281,000
	Merchandise sales and other income . . .	25,477,000	25,717,000
	Total	\$363,085,000	\$334,437,000
Expenses	Operating and general expense	\$325,711,000	\$295,427,000
	Depreciation	6,220,000	6,482,000
	Interest	2,271,000	2,347,000
	State, local and payroll taxes	7,564,000	7,311,000
	Federal income tax	11,413,000	12,395,000
	Total	\$353,179,000	\$323,962,000
Net Profit	Operations	\$ 9,906,000	\$ 10,475,000
	Capital gains	5,124,000	1,342,000
	Total	\$ 15,030,000	\$ 11,817,000
	Per share common:		
	Operations	\$2.31	\$2.46*
	Capital gains	1.20	.32*
	Combined	\$3.51	\$2.78*
Dividends Paid	Total-Cash	\$4,296,000	\$ 4,218,000
	Per share preferred	\$.75	\$1.00
	Per share common	\$1.00	\$1.00
	2% Stock Dividend-Common shares issued	85,517	82,994
	Shares outstanding		
	Preferred		67,931
Financial Position	Common	4,361,376	4,232,731
	Working capital	\$ 65,941,000	\$ 64,833,000
	Property and equipment (net)	\$ 64,272,000	\$ 66,185,000
	Long-term debt	\$ 51,670,000	\$ 53,423,000
	Common stock equity	\$101,706,000	\$ 90,140,000
	Per share common	\$23.32	\$21.30
General	Stockholders of record	20,944	22,596
	Theatres	456	472
	ABC-TV Network affiliates	266	228
	ABC-Radio Network affiliates	402	385

Net profit per share figures are based on the average number of shares outstanding during each quarterly period.

*Adjusted for the 2% stock dividend paid in 1960.

President's Letter to Shareholders

The results for the year 1961 reflected an historic high in total income which increased to \$363,085,000 from \$334,437,000 in 1960. Net operating profit after taxes was \$9,906,000 or \$2.31 per share as compared with \$10,475,000 or \$2.46 per share in 1960, based on the average number of shares outstanding. Net profit after taxes including capital gains increased to \$3.51 per share from \$2.78 per share for the previous year. The capital gains increase resulted principally from the payment of the balance of the sale price for our stock interest in Disneyland Park and from the sale of half of our stock interest in Microwave Associates, Inc.

The ABC Division reported record income. The ABC owned television and radio stations showed improvement. It is expected that the new national station sales subsidiary will bring further benefits to the owned TV stations. The new company, however, organized in 1961 to represent the owned TV stations in sales to national advertisers, incurred non-recurring costs during that period. The ABC Television Network maintained its strong competitive position with its gross time billings again rising faster than those of the other networks; but operating results reflected the increased costs of programming, particularly in the development of the important area of news and public affairs. The ABC Radio Network continued to strengthen its programming and affiliated station structure.

Our theatre business was good, reflecting the overall quality of motion pictures released during 1961. Business was affected by the severe weather conditions throughout the country in the fourth quarter and continuing into the first quarter of 1962. During the year, twenty marginal properties were divested and four theatres were acquired so that the Company's subsidiaries had interests in 456 theatres at the year end.

ABC-Paramount Records, a leading company in popular recordings, entered the classical field by acquiring Westminster Records. Investments were made to enlarge Westminster's classical record catalogue with new material, particularly in stereo. These recordings have not been placed fully in release and have yet to realize their sales potential.

As to other operations, ABC Films expanded its sales, particularly in the foreign television syndication field; Prairie Farmer maintained its preeminent position in farm publications; and Weeki-Wachee Spring enjoyed a banner year as a leading Florida tourist attraction. As to our stock interests in electronic companies, there was a partial sale in Microwave Associates, Inc., an additional purchase through the exercise of an option in Technical Operations, Inc., a divestment in Dynametrics Corp. and a new investment in Visual Electronics Corp. which specializes in international television sales and engineering and television automation systems.

World-wide TV broadcasting appears to be closer at hand with the expected orbiting of the first communications satellites. Reflecting our active participation in the fast growing international TV field which holds great promise and potential in the coming years, further arrangements were made with foreign TV stations in Japan, the Philippines, Argentina, Canada and Panama. At the year end, our Company had interests in or agreements with twenty foreign TV stations in fourteen countries. Due to uncertain conditions in many parts of the world and in keeping with our conservative policy, reserves are set up commensurate with the extent of these investments.

In order to house all of the Company's various expanding operations in New York City, a new office building is being planned. This building will be constructed for our Company on land presently owned and adjoining the Lincoln Center for the Performing Arts.

In support of the creation and development of educational TV in New York City, our Company contributed \$250,000 toward the purchase of a station to be used for these purposes. Contributions were made by others, including companies in the broadcasting industry.

Our corporate financial position continued strong in order to properly support the expected growth, particularly in broadcasting, over the coming years. Our annual \$1.00 per share dividend was supplemented by a 2% common stock dividend at the close of the year.

Your management looks forward to a sound future with excellent potential from our present operations in the entertainment and communications fields. It is, at the same time, constantly surveying other areas that are compatible with our goals and which offer opportunity to accelerate our long term growth.

Sincerely,

Leonard H. Goldenson
President

March 19, 1962

Financial and Operating Review

Net Profit

Net operating profit after taxes was \$9,906,000 or \$2.31 per share as compared with the record level of the previous year of \$10,475,000 or \$2.46 per share. Net capital gains rose to \$5,124,000 or \$1.20 per share from \$1,342,000 or 32¢ per share in 1960, and reflected principally the sale of half of the Company's stock interest in Microwave Associates, Inc. and the prepayment of the balance of the sale price of the Company's stock interest in Disneyland Park, originally payable over five years. The net capital gains were after a provision of \$2,000,000 for reserve against foreign investments and \$750,000 for reserve against other investments.

Net Profit After Taxes

	1961	1960
Operations	\$ 9,906,000	\$10,475,000
Capital gains	5,124,000	1,342,000
Total	<u>\$15,030,000</u>	<u>\$11,817,000</u>
Preferred dividends paid	\$ 51,000	\$ 69,000
Net applicable to common . . .	\$14,979,000	\$11,748,000
Per share common:		
Operations	\$2.31	\$2.46*
Capital gains	\$1.20	\$.32*
Combined	<u>\$3.51</u>	<u>\$2.78*</u>

Per share figures are based on the average number of shares outstanding during each quarterly period.

*Adjusted for the 2% stock dividend paid in 1960.

Dividends

Total cash dividends paid to our shareholders in 1961 were \$4,296,000 or \$1.00 per share on the outstanding common stock and 75¢ per share on the outstanding preferred stock prior to the date of its redemption. At the year end, this was supplemented by a 2% stock dividend on the common stock.

Income

Total income was at a record level of \$363,085,000 which was an increase of \$28,648,000 over 1960. Income of the ABC Division rose to \$254,280,000 from \$222,439,000, an increase

of 14%. Theatre income at \$83,328,000 decreased from the 1960 level of \$86,281,000, due in part to the progressive disposition of theatre properties, a net of sixteen theatres having been divested in 1961. Miscellaneous income principally from the record and publishing subsidiaries at \$25,477,000 was approximately equal to the previous year's level.

Long-Term Debt

At the 1961 year end, total debt under the 1956 Loan Agreement was \$50,000,000. In keeping with the Company's policy of keeping a year ahead in debt payments, the installments normally due on July 1, 1962 and January 1, 1963 were prepaid in full. Other long-term obligations at the year end were \$1,670,000.

Capital Stock

On October 20, 1961, the balance of the outstanding 67,931 shares of the 5% preferred stock (\$20 par value) was redeemed at the applicable redemption price of \$20.50 plus an amount equal to the accrued dividend to such date of 5¢ a share or a total of \$20.55 per share. The elimination of all of the preferred stock was made in order to simplify the capital structure of the Corporation and to eliminate the dividend requirements on such stock.

At the year end, the book value of the common stock was \$101,706,000 or \$23.32 per share. This compared with \$90,140,000 or \$21.30 per share at the close of 1960.

Source and Application of Funds

Working capital at the year end was \$65,941,000. The Company maintained a strong cash position with cash, government securities and certificates of deposit at \$33,652,000.

Total depreciation was \$6,220,000 of which \$2,479,000 was applicable to the ABC Division, \$3,360,000 to theatres and \$381,000 to other operations. Capital expenditures amounted to \$5,362,000. Of this total, \$2,748,000 was principally for television studio and office facilities and equipment for the ABC Division, \$2,361,000 was reinvested in theatre property additions and replacements and \$253,000 was for property additions of subsidiaries engaged in other operations.



New administrative office building—ABC Television Center, Hollywood.

Source and Application of Funds

	1961
Working capital at beginning of year . . .	\$64,833,000
Source of funds	
Profit from operations	\$ 9,906,000
Provision for depreciation	6,220,000
Cash proceeds from capital gains trans- actions, after taxes thereon	5,682,000
Proceeds from exercise of stock options	<u>1,057,000</u>
	22,865,000
	<u>\$87,698,000</u>
Application of funds	
Dividends paid (cash) — Preferred . . .	\$ 51,000
Common	4,245,000
Redemption of preferred stock	1,396,000
Property and equipment additions and replacements	5,362,000
Payments and prepayments of long-term debt	
Under Loan Agreement	2,500,000
Other notes and mortgages	227,000
Investments in subsidiary and affiliated companies	5,113,000
Income derived from advance payments deferred in prior year	1,088,000
Other, net	<u>1,775,000</u>
Working capital at end of year	21,757,000
	<u>\$65,941,000</u>

New TV network audience and studio facility—ABC Television Center, Hollywood.





"Ben Casey"—most popular new program of the season which stars Vincent Edwards in this medical drama series.

"The Enchanted Nutcracker"—a special Christmas fantasy written by Sam and Bella Spewack, starred Carol Lawrence and Robert Goulet.



TELEVISION

The television medium continued to pace other national media in its continued growth this past year, accounting for an estimated 14% of all of the nation's advertising expenditures. As to the ABC Television Network, gross time sales again showed the largest increase, in percentage as well as dollar volume, among the three networks.

During 1961, ABC-TV continued to improve its competitive position with respect to station affiliations. Full-time primary affiliates by the year end totalled 119, which gave the network direct live coverage of approximately 90% of all U. S. television homes. We are encouraged by the recent action of the F.C.C. to expedite additional station allocations which would provide a broader service to many communities that presently have only two station facilities and therefore lack three network service and programming.

Programming

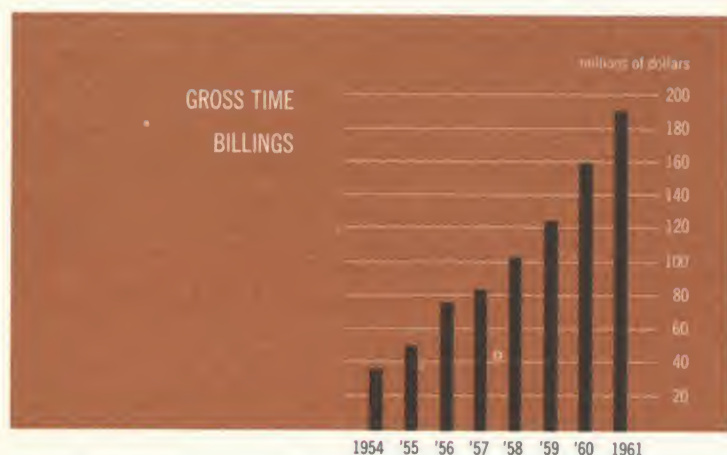
ABC-TV's overall schedule reflected programming of diverse appeal which included some of the nation's best-liked situation comedies with THE ADVENTURES OF OZZIE AND HARRIET, THE DONNA REED SHOW, LEAVE IT TO BEAVER and MY THREE SONS...distinctive westerns such as THE CHEYENNE SHOW and THE RIFLEMAN...backgrounds for adventure in HAWAIIAN EYE, SURF-SIDE 6 and ADVENTURES IN PARADISE...mystery and intrigue in 77 SUNSET STRIP, NAKED CITY, THE UNTOUCHABLES and TARGET: THE CORRUPTORS...entertainment for the entire family in the adult cartoon form as typified by THE FLINTSTONES...and musical variety in THE LAWRENCE WELK SHOW. To achieve further balance



"The Adventures of Ozzie and Harriet"—the comedy series starring the Nelson family that has been an audience favorite for ten years.



NCAA Football—ABC-TV's exclusive telecast of the outstanding college football games throughout the country.



in its schedule, the network added such quality dramatic series as ALCOA PRESENTS with Fred Astaire as host, and BEN CASEY. This latter series, prepared in cooperation with the American Medical Association, distinguished itself as the most popular new program of the season.

In addition to the regular weekly programs, ABC-TV featured a number of popular entertainment specials, many filmed on location abroad. Among the personalities starring in these productions were Bing Crosby, Pat Boone, the late Ernie Kovacs, Connie Francis, Carol Lawrence and Yves Montand. The exclusive telecast of Hollywood's Motion Picture Academy Awards ceremony drew one of the largest viewing audiences of any TV special.

The network schedule also included outstanding sporting events. WIDE WORLD OF SPORTS specials from all over the globe highlighted such events as the U.S.-Russian track meet from Moscow, the British Open Golf and Soccer Championships from England, and the International Grand Prix Sports Car Race from France. Trained crews and equipment were sent throughout the world to bring this program series to American viewers. ABC-TV exclusive telecasts of NCAA college football on Saturdays and American League professional football on Sundays reached greater audiences than ever. The telecast of the Orange Bowl Game climaxed a successful football season for viewers. Bowling, NCAA basketball, golf and the only weekly network boxing show, all contributed to a complete and comprehensive sports schedule.

A feature of the sports schedule was the introduction, for the first time, of equipment developed by ABC engineers for the instantaneous playback on videotape of action in slow motion. This new process was unveiled on the network during the Thanksgiving Day telecast of the Texas-Texas A & M football game. It has also become a regular feature of the weekly FIGHT OF THE WEEK telecasts.

ABC-TV continued to upgrade its daytime schedule with the addition of a number of new personalities and programs. These included YOURS FOR A SONG starring Bert Parks, CAMOUFLAGE with Don Morrow, SEVEN KEYS starring Jack Narz and JANE WYMAN PRESENTS. Soon to join this daytime roster will be the talented Tennessee Ernie Ford.



"Adlai Stevenson Reports"—stimulating discussion by the U. S. Ambassador to the UN with national and world leaders.

"Directions '62"—religious series which presented an original opera "The Thief and the Hangman" with music by the ABC Symphony Orchestra.



News and Public Affairs

1961 marked an accelerated pace in the further development to significant stature of the news and public affairs department and its programming. To best cover and report the increasingly important events taking place throughout the world, the news staff and news bureaus were greatly expanded under the direction of ABC News Chief, James Hagerty. Joining ABC were such well-known and respected journalists as William H. Lawrence, White House and national political reporter, formerly with the New York Times; Fendall Yerxa, former Managing Editor of the New York Herald Tribune; John Scali, top-ranking reporter at the State Department, formerly with the Associated Press; Howard K. Smith, nationally-known commentator presenting a weekly analysis and interpretative comment on the news, formerly of CBS; Bill Sheehan, expert on labor and industrial relations; and Ron Cochrane, veteran reporter and commentator, formerly of CBS. These are a few of the newcomers augmenting veteran reporters Quincy Howe, Edward P. Morgan, Erwin D. Canham, Bill Shadel, Don Goddard and an increasing number of younger news personalities like Jules

Bergman, television's only science editor, who received critical acclaim for his coverage of space and scientific events. Heading the enlarged overseas staff was Lou Cioffi, formerly of CBS, as Chief European Correspondent. News bureaus, staffed by experienced reporters, were opened in Rome, Berlin, Moscow and Buenos Aires.

In programming, the number of Monday through Friday network news shows were increased to four. These were Alex Dreier's MID-DAY REPORT from Chicago; EVENING REPORT; ABC NEWS FINAL, the only network late evening news telecast; and a late afternoon innovation, AMERICAN NEWSSTAND, which is aimed specifically at young people with recent journalism school graduates serving as newscasters. The emphasis on news coverage was from the reporter on the scene rather than the more accepted practice in television journalism of one news personality recapitulating all the news.

ABC News fully covered for network telecast the important events of the year taking place throughout the world, such as the Presidential mission to Paris, Vienna and London; the Cape Canaveral Space Shots; the President's Latin



ABC science editor Jules Bergman with Captain Grissom prior to the network telecast of the astronaut's suborbital space flight.

Exclusive ABC-TV telecast of the UN memorial ceremony for Dag Hammarskjöld with the Philadelphia Orchestra and Temple University Choir.



American visit; the United Nations; in addition to ABC's exclusive weekly specials throughout the twenty weeks of the Eichmann trial.

Among the scheduled programs were EDITOR'S CHOICE and ISSUES AND ANSWERS, which dealt with critical issues of the times and world newsmakers including Secretary of State Dean Rusk, the late House Speaker Sam Rayburn, UN Secretary General U Thant, Prime Minister Nehru, Pakistan President Ayub Khan, Japanese Prime Minister Ikeda, Nigerian Premier Alhaji Sir Abubakar Tafawa Balewa and West German Chancellor Konrad Adenauer. Highlighting the affairs of the United Nations and its leaders was ADLAI STEVENSON REPORTS which Newsweek Magazine described as "the purest and in many ways the most promising public affairs programming yet attempted by a U.S. network."

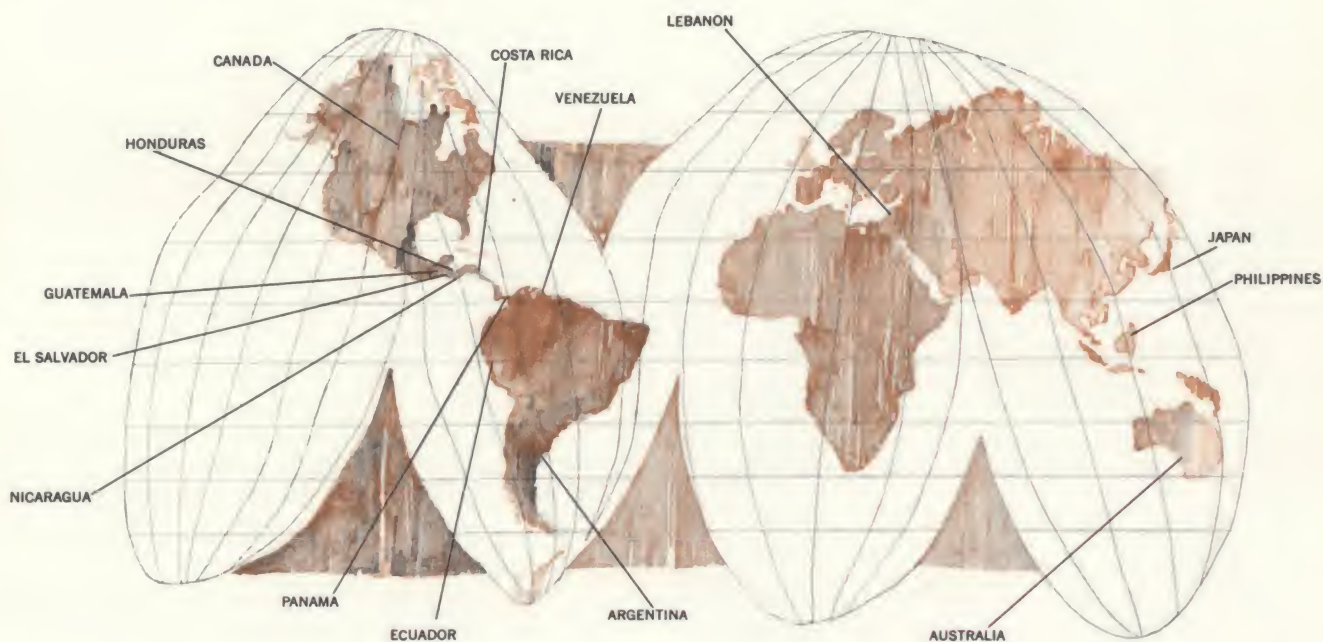
Timely and provocative documentaries in the CLOSE-UP series, sponsored by Bell & Howell, received widespread acclaim. They ranged from the paradox of Communism in Italy, "The Remarkable Comrades," to a hard look at the difficulties of our largest Latin neighbor, Brazil, "The Troubled Land." "Walk In My Shoes",

vividly portraying the feelings of the American negro today, was honored with the 1961 Thomas Alva Edison Foundation Award as "the television program best portraying America."

Another commendation was the Library of Congress request for inclusion in its records of the entire program series of WINSTON CHURCHILL-THE VALIANT YEARS. This series also was the recipient of the Academy of Arts and Sciences ("Emmy") and Saturday Review Awards. In preparation for the 1962-63 season is the ROOSEVELT YEARS, a series of similar magnitude and creative excellence.

Of significant educational value was the program MEET THE PROFESSOR, featuring outstanding college professors, which was commended by the National Education Association and the Association for Higher Education. The program EXPEDITION, dealing with scientific exploration, was used as a teaching aid in schools throughout the country. During the past year, DIRECTIONS '62 broadened its horizons in religious and cultural programming and presented, among other innovations, an original opera and symphony.

ABC INTERNATIONAL



Church service telecast on the Vene-Vision TV Network in Caracas, Venezuela.



Our Company broadened its participation in the foreign television field during 1961, with important additions to the roster of television stations outside the United States, associated with ABC International. Currently, these associations are with 20 foreign TV stations located in 14 countries.

In December, an association was completed with CFTO-TV, Channel 9, Toronto, the flagship station of the newly-established private Canadian television network, CTV. Station CFTO-TV, which is controlled by The Toronto Telegram, a leading Canadian newspaper, has one of the most modern and complete television installations on the North American continent.

ABC International also extended its activities in the Far East. Equity participations were acquired in television stations in the important Japanese cities of Tokyo and Osaka. In Tokyo—the world's largest city—through JOEX-TV, we are associated with TOEI, one of Japan's major motion picture companies. The principal owner of the station in the industrial city of Osaka, JOOR-TV, is the Mainichi Broadcasting Sys-

tem, an affiliate of the important Mainichi newspaper chain.

An equity position was also acquired in the Republic Broadcasting System in Manila, the commercial and industrial center of the Philippines. This company, which owns three of the most popular radio stations in the Islands, began its television operation in Manila last October, via Channel 7.

Interests in the Near East were continued through our association with "Tele-Orient," a new television station in Beirut, Lebanon, which is slated as the first link in a broad Near Eastern television network.

The number of TV homes in Latin America, available through stations associated with ABC International, crossed the million mark in 1961 with the inauguration in July of "Teleonce," Channel 11, in Buenos Aires, Argentina. Buenos Aires has the largest television audience in Latin America. 1961 also saw the inauguration of the six-station "VeneVision" network in Venezuela. It is headquartered in Caracas and provides simultaneous coverage of the nation's most important cities and oil-producing regions.

During the past year, arrangements were also concluded to expand the Central American Television Network (CATVN) to include Panama. A new station, TV-2, will go on the air in 1962 and will bring to six the number of Central American nations joined together through this association of television stations.

We have continued associations with companies operating TV stations in Australia and Ecuador and have also taken on the representation of selected radio enterprises in Canada and Central America.

ABC International's sales operations received greater advertiser support in 1961 than ever before. A growing number of international advertisers took advantage of the savings and efficiency now attainable through centralized, multi-market buys embracing a number of countries.

With the tremendous strides being made in space and satellite technology, ABC International is continuing its activities to establish the international associations and partnerships which will be necessary to translate satellite transmissions from a scientific curiosity into an effective and profitable world-wide television system.



RADIO

During 1961, the ABC Radio Network further broadened and strengthened its entertainment and news and public affairs programming which received increased advertiser support. In addition, the network's affiliated station structure was expanded.

In programming, FLAIR continued to capture a greater percentage of young adult listeners in its national audience and enjoy increased advertiser acceptance.

Don McNeill's BREAKFAST CLUB maintained its long established position as a leader in network radio programming during the morning hours.

ABC Radio again exclusively broadcast the Patterson-Johansson Heavyweight Champion-

Dick Van Dyke, well-known star of the theatre and television and host of ABC Radio's program "Flair."





ABC sportscaster Howard Cosell with Floyd Patterson after the championship fight, heard exclusively over ABC Radio.



"Crisis at the UN"—John Scali of ABC News interviewing UN Secretary General U Thant.



ABC News Chief James Hagerty with ABC commentator Edward P. Morgan arriving at the Paris airport to cover President Kennedy's European visit.

ship Fight to an even larger national audience than for the same event in 1960, which was the largest audience for any single event in the history of advertising.

Other outstanding sporting events included exclusive coverage of the Notre Dame football games and simulcasts of the post-season Orange Bowl football classic and the popular Bing Crosby Golf Tournament.

In the area of news coverage, the network responded to the growing public interest in events as they were happening around the globe. Drawing upon the ABC News department's expanded facilities and enlarged corps of experienced correspondents, the network featured the "actuality" program which is the voice of newsmen broadcasting from the scene of the event. In a year of dynamic news developments, such actuality reports averaging 100 per week, ranged from the Presidential Press Conferences and his visits in Europe, Canada and South America, warfare in Algeria and the Congo to the deliberations at the United Nations. Domestic news

coverage was greatly enhanced through close cooperation with the network's affiliates where local correspondents were often able to provide the first news on the scene to the network's national audience. Added to the weekly schedule were the news commentaries, GOOD NEWS with Alex Dreier and WORLD NEWS WRAP-UP. In connection with EDWARD P. MORGAN AND THE NEWS, ABC Radio conducted a national essay competition for undergraduate college students on the subject "Youth's Role in U. S. Foreign Policy." Affiliated stations joined in this undertaking which awarded graduate school scholarships to the winners.

Throughout the year, ABC Radio programmed a substantial number of public affairs features and special events covering such fields as politics, education, religion, the arts and medicine. Typical examples were the "World Conference of Local Governments," "Britain and the World," "Medicine '61," "Crisis at the U.N.," "Fallout-Reality or Myth," and "White House Invitational Concert."

CANDIDATE



"Candidate"—KABC-TV's program series featuring the mayoralty candidates prior to the local Los Angeles election.



OWNED STATIONS



"Astronaut 76"—KGO-TV's special program featuring astrophysicist Dr. Routly instructing grade students in space geography.

Television

The owned television stations continued the advances which have been made in recent years in both revenues and programming. The stations are located in New York, Chicago, Detroit, Los Angeles and San Francisco.

In the field of public affairs, all stations served their communities with distinction through programming covering local, regional and national matters of significant interest.

WABC-TV, New York, received wide acclaim for its thorough coverage of the Eichmann trial. Noted author and columnist Jim Bishop served as commentator in a five-day-a-week presentation of the dramatic events occurring in the Israel courtroom. WABC-TV's coverage of the trial was the most complete of any television station in the country. EXPEDITION: NEW YORK, produced in cooperation with public, private and parochial high school systems in the metropolitan New York area, began its second year in October. In the New York area, WABC-TV supplied almost 2,000 teachers and schools with study guides and lesson plans on each program in the series. Similar programs are also produced on the other owned stations and supplement the network EXPEDITION program which has received much praise from educators throughout the country. As an off-the-air activity, WABC-TV conducted its first annual Christmas Toy Carnival, in cooperation with the New York Fire Department, to collect toys for needy children. The two-hour circus at Madison Square Garden played to an overflow audience of 16,000. WABC-TV also programmed many regularly scheduled series such as YOUTH WANTS TO KNOW and ALL AMERICA WANTS TO KNOW, the INTERTEL series of documentaries concerning nations in transition, and numerous special reports by the Board of Education, the Mayor and the National Education Association concerning such problems as the shortage of teachers, the reading crisis, language difficulties and other educational matters important to the New York City area. As with all the television owned stations, WABC-TV carried extensive campaigns for various civic, social, community and religious organizations through spot announcement campaigns.

KABC-TV in Los Angeles, received the first award for "production of an outstanding local television series in conjunction with school systems" by the National Education Association. The program, *EXPEDITION: LOS ANGELES*, was also cited by the Associated Press and the Radio-Television Association of Southern California. One of the outstanding program endeavors in 1961 was KABC-TV's *CANDIDATE*, showcasing the men and issues in the race for Mayor of Los Angeles. KABC-TV gave equal time to nine candidates in the primary campaign and to the run-off candidates in the general municipal elections. KABC-TV was the first station in the country to inaugurate a Toys for Tots campaign in conjunction with the U.S. Marine Corps Reserve. This show is now designed as a kick-off for the Marine's National Toys for Tots drive. This year, KABC-TV collected nearly 20,000 new toys for needy children. Other ABC television owned stations also participated in this worthwhile project.

Station WBKB in Chicago, continued its distinguished record of public affairs activities through a variety of projects. The vital question of survival in an atomic era was explored in a two-hour documentary *COUNTDOWN, IS CHICAGO DEFENSIBLE?* which investigated the defense posture of the nation's second most heavily defended industrial complex. The station also

scheduled a three-hour special program, *A PRIMER OF SOVIET PROPAGANDA* which explored the aims and devices of the Communist propaganda machine. This discussion included five of the Soviet Union's foremost journalists and American experts on Russian affairs. *PRESS INTERNATIONALE* appeared for the first time on WBKB during 1961. This program provided viewers with the reaction of the world press to both international and United States domestic news events. WBKB's award-winning children's program *THE CLOCK SHOW*, received Radio-TV Mirror's regional award as the best children's program in the midwest for continuing to provide information and education to young viewers in an entertaining and stimulating way. In 1961, WBKB again served its community by bringing two of the year's most important local sporting events to its viewers, the finals of the Illinois State High School Basketball Tournament and the Chicago High School Basketball Championship. Many regularly scheduled programs were preempted to bring these high interest programs to Chicago viewers.

In Detroit, WXYZ-TV added to its fine record of interesting and varied public affairs programming. In March, the station sent a reporter to the embattled Congo. A special program *INSIDE THE CONGO*, was produced which was an outstanding success locally and which was also

"A Primer of Soviet Propaganda"—Norman Ross moderates WBKB's timely discussion program between Soviet correspondents and U. S. political scientists.



shown later on other stations throughout the country including ABC owned stations in Chicago, Los Angeles and San Francisco. The station presented a documentary in cooperation with the local civil defense authorities informing viewers of the dangers of radio-active fallout and the means of protection. WXYZ-TV provided a series of special programs entitled MEET THE MAYOR where citizens were able to ask the Mayor of Detroit questions pertaining to their city. The station also continued its regularly scheduled programs which have received so much acclaim in the past years. Some of these are YOUTH BUREAU, produced in cooperation with the Detroit Police Department; the WORLD ADVENTURE SERIES, now in its 14th year which features live and filmed reports about people in foreign countries; and the JUNIOR SPORTS CLUB, a unique and unusual program on physical fitness featuring three or four participation sports for which the public schools do not have the necessary facilities or personnel.

KGO-TV in San Francisco, contributed substantially to the welfare of the young people in the Bay Area through its activities in connection with the station's "Best Ever Generation" project, calling attention to the achievements of young people and dedicated to help them become responsible and mature adults. The first program in this project was a "Summer Jobs For Students" campaign. This successful effort received the backing of seventeen Bay Area communities and enlisted the help of other radio and television stations. Governor Brown of California, in honoring KGO-TV, stated, "Of all the agencies working on this summer's drive to find vacation jobs for Bay Area students, KGO-TV did the most outstanding job." The station carried numerous regularly scheduled and special events programs and spot announcement campaigns for many worthwhile causes.

In 1961, ABC-TV National Station Sales, Inc. was formed to act as sales representative for the owned television stations. This subsidiary has set up offices in key cities and is concentrating its efforts exclusively on behalf of the owned stations in the area of sales from national clients which are placed on an individual station basis. Increased national sales are being realized and further gains are expected.



WABC's "Stay in School Spectacular" drew 5,000 teenagers to New York City's Coliseum, highlighting the city's stay-in-school campaign.

Radio

The year 1961 was one of continued progress for the six radio owned stations. Responsive to the needs of their respective communities, the activities of these stations, particularly in the field of public affairs and community action, proceeded at a greater pace than ever before. Millions of dollars in air time was devoted to programming and announcements on behalf of leading national and local causes. For the first time, these stations participated in a series of group campaigns which were specifically created and identified as ABC station efforts. These campaigns were on behalf of such causes as Radio Free Europe, vaccination against polio, highway safety and others. For the campaign urging vaccination against polio, a special award was given by the Surgeon General of the United States Public Health Service. A special award was also presented for the stations' campaign on behalf of Radio Free Europe.

In addition to their group activities, each station has been increasingly active in local community affairs. WABC, New York's oldest radio station, celebrated its 40th Anniversary during the past year. A WABC Week was designated by the Mayor and a huge birthday party was held for 25,000 listeners at New York's Freedomland Park. WABC inaugurated a one-hour weekly educational series in cooperation with

New York University and Columbia University. Transcriptions of these programs are to be released in 1962 for use in civic and government classes. WABC's "Stay in School" spectacular, to persuade high school boys and girls to remain in school until graduation, won acclaim from city government and education officials. A WABC Cancer Control Day won the commendation of the New York City Cancer Committee. A team of cancer specialists from New York's city hospitals manned a battery of telephones from 6:00 A.M. to midnight answering questions from listeners concerning cancer. Representative questions and answers were broadcast at frequent intervals throughout the day.

KABC, Los Angeles, further expanded its dynamic conversational programming concept in 1961. The station now programs conversation and discussion for its entire 18 hour broadcast day. This is more than any other station in the country and has caused considerable comment and commendation. KABC's expanded news service was put to the test during the recent disastrous Bel-Air brush fire. Within 20 minutes after the blaze started, KABC's mobile units were on the scene providing direct coverage and more than 36 hours of direct news from the fire lines.

WXYZ maintained its preeminent position among Detroit's radio stations. Its public affairs department produced and broadcast 16 docu-

mentary reports both in series and individual program form on important community issues. Through the hard-hitting reports of one of the station commentators, an automobile caravan of nearly three hundred persons drove to the state capitol to urge legislative action in behalf of Michigan institutions of higher education and mental health. The caravan received interviews with the Governor and state legislators and was an excellent example of the community consciousness which can be activated through stimulating broadcasts. The station also participated in an effort called "Operation Up-Swing" which was WXYZ's contribution toward stimulating the Detroit economy.

At KQV, Pittsburgh, the station's public service efforts were highlighted by unusual and effective campaigns which resulted in wide-spread commendation. For example, the KQV basketball team, comprised of station on-the-air personalities, played a benefit game with visiting recording artists for the Retarded Children's Association during its month long drive. During the month of April, commercial time for hundreds of newscasts were given over to the Pittsburgh's educational television station in its annual appeal for funds. KQV conducted a "Million Dollar Monday" for the United Fund, during which the station's microphones were manned by the Mayor of Pittsburgh and the presidents of leading industrial corporations in the city. KQV also launched OPERATION HOMETOWN, a series of recorded greetings from Pittsburgh servicemen stationed throughout the world. These unusual activities are only highlights of the station's cooperation in many worthwhile endeavors for the good of the Pittsburgh area.

KGO, San Francisco and WLS, Chicago also expanded their activities in the field of community affairs including the presentation of documentaries and coverage of local elections. For example, KGO's series "What's the Proposition" featured proponents and opponents of each measure facing voters in the November election and received an Associated Press award. WLS initiated a series of documentary programs featuring the well-known commentator Norman Ross, who discussed and analyzed important civic problems facing that large metropolitan community.

WXYZ initiated a citizens caravan to the Michigan capitol for legislative budget support of college universities and mental health.





THEATRES



This past year has been a good one for motion picture exhibition, reflecting the quality of the pictures released. Theatre business was affected by the severe weather conditions throughout the country in the fourth quarter and continuing into the first quarter of 1962.

As has been true over the past several years, the concentration by the production companies on quality product has found a responsive audience, particularly in light of the existing competition with other leisure time activities. Theatre receipts for all theatres throughout the country for 1961 were estimated at \$1.5 billion with average weekly attendance in excess of 40 million people.

The motion pictures which are presently being planned for release during 1962 include an impressive list of properties. Among these are: STATE FAIR with Pat Boone, Ernest Hemingway's ADVENTURES OF A YOUNG MAN starring Paul Newman, MY GEISHA with Shirley MacLaine, NOTORIOUS LANDLADY starring Jack Lemmon, Kim Novak and Fred Astaire, BARABBAS with Anthony Quinn and Sylvano Mangano,



GYPSY with Rosalind Russell and Natalie Wood, THE MIRACLE WORKER with Anne Bancroft, FOLLOW THAT DREAM with Elvis Presley, and TWO FOR THE SEE-SAW with Shirley MacLaine and Robert Mitchum. Also being shown during the year are such outstanding pictures as WEST SIDE STORY, EL CID and JUDGMENT AT NUREMBERG.



Theatre Properties

Our theatres are operated on a decentralized basis by subsidiary companies which had interests in 456 theatres at the year end. Marginal or uneconomic properties continued to be divested either through sale, lease termination or conversion to more profitable purposes. During the year, twenty such theatres were divested. Four theatres, including two drive-ins, were acquired.

In order to keep our theatres most attractive and inviting to patronage, refurbishing and renovation took place where required. Several key theatres, including the Florida Theatre in Miami (as shown in the photo on the preceding page), have been converted to accommodate the Cinema screen process.

A new twelve story office building, which replaced a theatre in Atlanta, was recently completed. It is presently occupied principally by its major tenant, a large insurance company. Our local subsidiary has a long term lease on the property and a 50% equity in the building. This is an example of converting theatres to more profitable use; an area in which several other projects have been and are expected to be taking place.





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Motion Picture Highlights of the 1962 Season



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(1) "The Music Man" stars Robert Preston (2) "Mutiny on the Bounty" with Marlon Brando and Trevor Howard (3) "Hatari" stars John Wayne (4) Darryl Zanuck's production of "The Longest Day" (5) "A Touch of Mink" stars Cary Grant and Doris Day (6) "The Road to Hong Kong" with Bing Crosby and Bob Hope (7) "Advise and Consent" with Henry Fonda (8) "Bon Voyage" with Fred MacMurray and Jane Wyman.



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RECORDS

ABC-Paramount Records, Inc., one of the leading companies in the industry, further broadened its operation during 1961 by acquiring Westminster Records. Investments were made to enlarge Westminster's fine classical record catalogue with new material, particularly in stereo. These recordings have not been placed fully in release and have yet to realize their sales potential.

The record company's labels include ABC-Paramount, Apt, Command, Grand Award and Impulse and it distributes domestically records on the Chancellor label.

The best-selling albums in 1961 included: "Paul Anka's Big 15!"; Ray Charles featured on "Dedicated to You," "Genius Hits the Road" and "Ray Charles and Betty Carter"; "Adventures in Paradise"; the continental music of "Mandolino Italiano"; and the famed French Les Djinns Singers.

Two albums of unusual appeal were recently released: "The Valiant Years," a musical adaptation of the widely-praised television series with a special musical score written for the recording by the eminent composer Mr. Richard Rodgers; and the comedy recording "Hello Dere," featuring the nationally-known team of Allen and Rossi. Both albums have been accorded fine trade reviews.

Among single records which served to establish and develop new, young artists were the Barry Mann recording of "Who Put the Bomp (in the Bomp-Bomp-Bomp)?" "Gypsy Woman," by The Impressions; two records by Ray Charles, "Hit the Road, Jack" and "Unchain My Heart";



and the Brian Hyland recording of "Let Me Be-long to you."

An achievement in electronic engineering was "Stereo 35/MM," the Command label album which was recorded on 35 millimeter magnetic sound film. In addition to the wide acclaim which greeted this album, Command also scored unusual successes with its advent into the classical field, with its initial releases on 'Command Classics,' featuring such noteworthy performances as those by the Pittsburgh Symphony Orchestra under the direction of William Steinberg, as well as the classical works recorded in Europe by L'Orchestre de la Societe des Concerts du Conservatoire and L'Orchestre des Concerts Colonne. Command Records retains its leading position in the field of stereophonic recording, and all of the 'Command Classics' are now being recorded in the 35/mm process.

Among the outstanding Westminster classical albums are "Fidelio," conducted by Hans Knappertsbusch and featuring Sena Jurinac and Jan Peerce; and the recordings by the Vienna State Opera Orchestra conducted by Herman Scherchen with the Vienna Academy Chorus of "Bach: St. John Passion," "Haydn: The Seven Last Words of Christ" and "Handel: The Messiah (original Dublin version)."

The Impulse! label of fine jazz recordings featured such performers as: Downbeat Magazine's 'Jazzman of the Year,' John Coltrane in "Africa/Brass" and "Coltrane—Live at the Village Vanguard"; Ray Charles with "Genius + Soul = Jazz" which received the award of L'Academie du Disque Francaise as 'Best Jazz Record of 1961'; jazz drummer Max Roach's "Percussion Sweet"; and forthcoming albums by vibraharp instrumentalist Milt Jackson and leading jazz arranger Quincy Jones.

Progress was made in the foreign field with new agreements signed with N. V. Philips Phonographische Industrie to distribute ABC-Paramount Records in more overseas markets. Further expansion of foreign distribution and sales is planned during 1962.



The 1955 International Himalaya Expedition dramatically recaptured on the program, "Expedition."



FILM SYNDICATION

ABC Films, Inc., which distributes television programs to stations, networks and advertisers, showed impressive revenue gains, particularly in the international market. As a consequence, sales offices were opened in London, Rome, Stockholm, Paris and Frankfurt. Domestically, two of its properties, *EXPEDITION* and *STRAIGHT-AWAY*, were telecast on the ABC Television Network. Other syndicated programs that were sold to many stations included *WYATT EARP*, *ONE STEP BEYOND*, *CONSULT DR. BROTHERS* and a favorite for younger viewers, *CASPER THE FRIENDLY GHOST*.

ELECTRONICS



Interests are currently held in three electronic companies. During 1961, an additional stock purchase was made through the exercise of an option in Technical Operations, Inc., half the Company's stock interest in Microwave Associates, Inc. and the entire investment in Dyna-metrics Corp. were sold, and a position was taken in Visual Electronics Corp. by a loan with rights to purchase up to 40% of its common stock. Stock of Microwave Associates (12% interest) and Technical Operations (25% interest) are publicly traded on the American Stock Exchange.

Microwave Associates, Inc. continued its successful growth during 1961, which was generally a difficult year for many segments of the electronic industry. The company's development in terms of new products, orders, facilities and personnel resulted primarily from the planned build-up of technical personnel and their successful research efforts during the past four years.



Microwave, computer and varactor diodes manufactured by Microwave Associates.

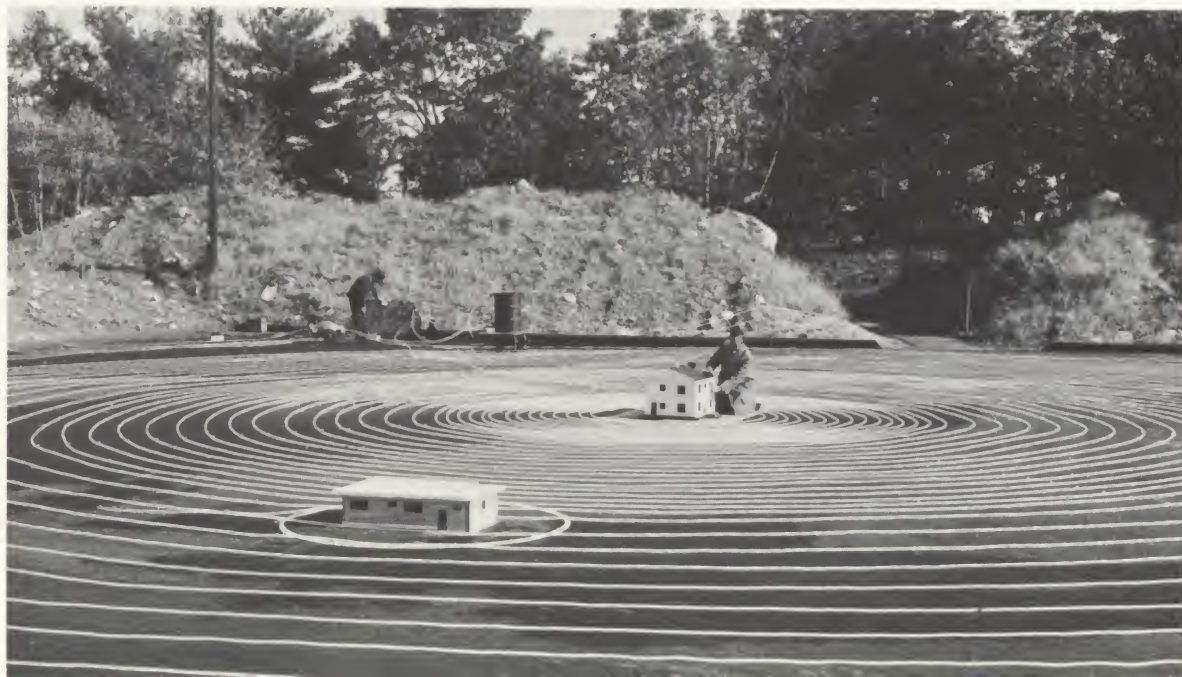
Microwave systems are making increasing use of combination circuits using tubes, semiconductor and ferrite devices in a single package; Microwave Associates being one of the few companies which manufactures products in all of these areas. With research directed at the twofold objective of developing new "state-of-the-art" devices and of developing significant improvement in existing devices, the company hopes to increase its competitive market position further in the future.

Technical Operations, Inc. closed its tenth and most successful year in 1961. Sales and earnings both established new records. At the same time, important technical advances were made which contribute to the nation's defense and should

have a substantial impact on continued company growth. Research programs were advanced in chemistry, physics, operations research and computer technology. The company's proprietary process for making photographic film and print paper without gelatin was brought closer to commercial reality. Sales increased in all product lines, including industrial radiographic equipment, radiation film badge processing, solid-state power supplies and Kodachrome-type film processing. In addition, the company introduced a new pulse discharge system for the research market, capable of producing electrical bursts of unprecedented power and energy.

Visual Electronics Corp. is a small but growing domestic and international sales and engineering concern specializing in communications systems. It provides technical system design for broadcast and communication operators and performs as general contractor for technical communications installations. Current overseas projects include a television studio in Buenos Aires, Argentina, a complete television headquarters station in Lima, Peru and in several other cities in that country. Visual has taken a leading position in the new field of automatic preset switching of television master control, i.e. "TV station automation," which is of growing importance in the television broadcast field. Installations have been completed or contracted for the "Visual 6000" Television Program Automation System by several leading stations in this country.

Tech/Ops' experimental facility to determine fallout shelter factors for various types of buildings.





One of the talented mermaids performing in the underwater grand canyon of Weeki-Wachee.



AMUSEMENT CENTERS

WEEKI-WACHEE SPRING, a scenic attraction center located north of St. Petersburg, Florida and operated by our local theatre subsidiary, is one of the fastest growing tourist attractions in the State of Florida. In addition to the recently completed new underwater theatre, the Spring has opened its newest attraction, the "Wilderness Chief" wagon train, which takes visitors into the back woods and jungles of this 600 acre center. The main underwater attraction premiered its all new mermaid show, UNDERWATER CIRCUS last October. The river on the property is being stocked with additional animals which are all native to Florida. The accent at the vastly improved natural habitat has been on developing its versatile potential to further attract a growing number of visitors.

The Company operates its profitable food concessions in Disneyland Park in California under an agreement that runs for four additional years.

PUBLISHING



Three agricultural publications which cover the heart of the Cornbelt, with a combined circulation of 850,000, constitute the publishing interests of our Company. The three papers, operated by subsidiaries, are *Prairie Farmer* in Chicago, *Wallaces Farmer* in Des Moines, and *Wisconsin Agriculturist* in Racine. Each of the papers is more than a hundred years old.

Again in 1961, the *Prairie Farmer* group ranked among the top half dozen farm publications in the country in terms of paid advertising lineage. Printing is carried out in three separate plants, the largest being at Des Moines.

Adding greatly to the prestige and service of the publications is the sponsorship of the annual Farm Progress Show which is now in its tenth year. This affair, which is firmly established as the largest farm field day in the world, furnishes a show window for modern mechanized and scientific agriculture. Each year, approximately 250 of the leading distributors of farm equipment and supplies exhibit their products at the show. Attendance at the three-day event is in the neighborhood of 300,000. (see photo)

The annual Farm Progress Show, sponsored by the *Prairie Farmer* publications, drew 300,000 visitors.



American Broadcasting-Paramount Theatres, Inc.

ASSETS

	December 30, 1961	December 31, 1960
CURRENT ASSETS:		
Cash	\$ 26,956,300	\$ 19,898,470
United States Government securities, at cost (approximate market), and certificates of deposit	6,695,463	7,345,355
Accounts and notes receivable, less reserves:		
Trade accounts receivable	42,514,389	39,298,857
Secured notes receivable from Walt Disney Productions (See Note A)		5,497,500
Other notes and accounts receivable	3,137,533	2,473,543
Broadcasting program rights, film costs and production advances, less amortization	15,011,005	13,753,086
Inventory of merchandise and supplies, at cost or less	2,316,526	2,018,818
Prepaid expenses	1,748,062	1,647,878
Total current assets	<u>98,379,278</u>	<u>91,933,507</u>
INVESTMENTS AND OTHER ASSETS, AT COST, LESS RESERVES (See Notes A and B):		
Affiliated companies	6,207,346	4,391,103
Notes and accounts receivable due after one year	976,739	906,774
Miscellaneous investments	2,661,752	2,416,963
Deposits to secure contracts	868,182	1,367,477
Deferred charges	2,218,405	1,976,095
	<u>12,932,424</u>	<u>11,058,412</u>
PROPERTY AND EQUIPMENT:		
Land, at cost	23,106,575	23,534,485
Buildings, equipment and leaseholds, at cost	91,439,685	95,571,412
Less—Accumulated depreciation and amortization	(50,274,120)	(52,920,526)
	<u>64,272,140</u>	<u>66,185,371</u>
INTANGIBLES, at cost		
	<u>14,551,735</u>	<u>13,067,127</u>
	<u><u>\$190,135,577</u></u>	<u><u>\$182,244,417</u></u>

Consolidated Balance Sheets

LIABILITIES AND CAPITAL

	<i>December 30, 1961</i>	<i>December 31, 1960</i>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 31,908,632	\$ 26,997,810
Federal taxes on income	9,482,431	8,374,351
Less—U. S. Government securities	(9,482,431)	(8,374,351)
Notes and mortgages payable within one year	529,334	102,551
Total current liabilities	<u>32,437,966</u>	<u>27,100,361</u>
 LONG-TERM DEBT:		
Notes issued under Loan Agreement (See Note C)	50,000,000	52,500,000
Other notes and mortgages	1,669,993	923,074
 OTHER LIABILITIES:		
Deferred income	2,806,055	3,894,117
Deferred incentive plan compensation (See Note D)	126,960	
Miscellaneous	1,030,783	850,109
Total liabilities	<u>88,071,757</u>	<u>85,267,661</u>
 DEFERRED CAPITAL GAIN ON SALE OF DISNEYLAND, INC. STOCK (See Note A)		<u>5,128,801</u>
 INTEREST OF MINORITY STOCKHOLDERS IN SUBSIDIARY COMPANIES	<u>358,164</u>	<u>349,655</u>
 CAPITAL STOCK AND SURPLUS (See Note E):		
5% Preferred stock		1,488,626
Common stock, authorized 10,000,000 shares, \$1 par value		
Outstanding—4,361,376 shares	4,361,376	4,232,731
Capital surplus	53,996,167	48,844,365
Earned surplus	43,348,113	37,057,768
	101,705,656	91,623,490
Less—Cost of Preferred shares in treasury		125,190
	<u>101,705,656</u>	<u>91,498,300</u>
	<u>\$190,135,577</u>	<u>\$182,244,417</u>

Consolidated Profit and Loss and Surplus Accounts

PROFIT AND LOSS ACCOUNTS

	<u>1961</u>	<u>1960</u>
INCOME:		
Television and radio time and program sales, less discounts, rebates and commissions to advertising agencies	\$254,280,216	\$222,438,560
Theatre admissions, rentals and vending profits	83,327,900	86,281,176
Merchandise and record sales, publishing and other income	25,380,075	25,602,277
Dividends from affiliated companies	96,992	114,843
	<u>363,085,183</u>	<u>334,436,856</u>
EXPENSES:		
Operating expenses, cost of merchandise sold, selling and administrative expenses and sundry taxes	333,235,365	302,696,567
Depreciation and amortization of buildings, equipment and leaseholds	6,220,129	6,481,996
Interest expense	2,271,337	2,346,898
Profits applicable to minority stockholders in subsidiary companies	40,256	41,215
Federal income tax	11,412,532	12,395,429
	<u>353,179,619</u>	<u>323,962,105</u>
PROFIT FROM OPERATIONS	9,905,564	10,474,751
CAPITAL GAINS, net, after applicable Federal income tax and, in 1961, reserves provided of \$2,000,000 against foreign investments and \$750,000 against other investments (See Note A)	5,124,211	1,342,633
PROFIT FOR THE YEAR, including capital gains	\$ 15,029,775	\$ 11,817,384

SURPLUS ACCOUNTS

	<u>Earned</u>	<u>Capital</u>
BALANCE AT BEGINNING OF YEAR	\$ 37,057,768	\$ 48,844,365
ADD or (DEDUCT):		
Profit for the year, including capital gains	15,029,775	
Dividends:		
Paid in cash—		
5% Preferred stock, \$.75 per share	(50,948)	
Common stock, \$1.00 per share	(4,245,019)	
Paid in Common stock—		
2% on Common stock	(4,443,463)	4,357,946
Proceeds in excess of par value of 43,130 shares of Common stock issued upon exercise of stock purchase options		1,013,654
Redemption price and cost of treasury shares in excess of par value of 74,431 shares of 5% Preferred stock retired (See Note E)		(32,544)
Settlements and costs of anti-trust litigation applicable to period prior to January 1, 1950 (See Note G)		(187,254)
BALANCE AT END OF YEAR	\$ 43,348,113	\$ 53,996,167

Notes to Consolidated Financial Statements

BASIS OF CONSOLIDATION:

Included are all subsidiary companies in which the common stocks are wholly owned directly or indirectly by American Broadcasting-Paramount Theatres, Inc., excluding one minor foreign subsidiary, and the few companies which are owned to the extent of 75% or more.

NOTE A—CAPITAL GAINS:

Net capital gains for the year 1961, after applicable Federal income tax, include \$3,846,000 resulting from collection during the year of the balance of the proceeds from the sale by the Company in 1960 of its 35% stock interest in Disneyland, Inc., and \$4,200,000 resulting from the sale in 1961 of approximately one half of the Company's investment in the stock of Microwave Associates, Inc. Net capital gains for 1960 included \$1,401,750 resulting from collection during that year of a portion of the proceeds from the sale of the stock interest in Disneyland, Inc.

During 1961 the Company provided a reserve of \$2,000,000 against investments in and advances to affiliated companies operating outside of the United States and \$750,000 against other investments.

NOTE B—INVESTMENTS AND OTHER ASSETS:

The miscellaneous investments include \$1,191,568, the carrying value of unliquidated investments in certain theatres sold. These investments consist of stock and property interests sold since January 1, 1950 under contracts of sale secured by liens on the assets disposed of, at prices amounting in the aggregate to \$7,968,000. The sales prices, with interest thereon in most cases, are payable in instalments which in some cases are fixed periodic amounts but in the main are variable contingent amounts determined by the contractual provisions of the particular sale, and have final maturities in various years extending to 1983. Of the total sales prices, \$6,784,890 remained uncollected at December 30, 1961 and the difference between this amount and the present carrying value of the investments is a contingent profit which will be taken into the profit and loss accounts proportionately over future years as additional instalments of the sales prices are collected.

NOTE C—NOTES ISSUED UNDER LOAN AGREEMENT:

These comprise 4.2% notes in the amount of \$50,000,000 payable \$1,250,000 semi-annually from July 1, 1963 to and including July 1, 1972; \$1,625,000 semi-annually from January 1, 1973 to and including July 1, 1977; and \$10,000,000 on January 1, 1978.

NOTE D—DEFERRED INCENTIVE PLAN COMPENSATION:

The Key Employees Incentive Compensation Plan, which was approved by the stockholders on May 16, 1961, provides that for each year there may be credited to a reserve an amount based upon earnings, which will be available for payment as incentive compensation to employees, such amount being subject to limitations provided in the Plan. The amount to be credited to the reserve, the employees who are to participate and the amount of incentive compensation awards are recommended by the Key Employees Incentive Plans Committee (which consists of three directors not eligible for awards) and are determined by a majority of the members of the Board of Directors who are not eligible to receive awards.

For the year 1961, \$500,000 was credited to the incentive compensation reserve and \$464,500 was awarded to 98 participants, of which \$224,000 has been paid in cash in 1962 and \$240,500 contingently credited to be paid in deferred annual instalments upon termination of employment. The balance of \$126,960 in the above account at December 30, 1961 represents the deferred incentive awards and the unallocated reserve, less estimated applicable reduction in future Federal income taxes.

NOTE E—CAPITAL STOCK AND SURPLUS:

Under stock option plans approved by the stockholders, 332,782 shares of common stock are reserved for issuance to officers and employees. During 1961 options were granted for 33,000 shares at prices ranging from \$41.57 to \$46.91 per share; and options for 43,130 shares were exercised partly at \$24.686 and partly at \$24.451 per share. In compliance with the Plans, the number of shares called for by options outstanding on the record date for the common stock dividend were increased by 2% and the option prices reduced accordingly. There were outstanding on December 30, 1961 under the 1950 Common Stock Option Plan options which entitled the holders to purchase 9,642 shares of the Company's stock at \$24.202 per share on or before March 23, 1963, and

under the 1959 Restricted Stock Option Plan options issued in 1959 for 146,361 shares at \$23.972 per share, options issued in 1960 for 12,444 shares at \$41.804 per share, and options issued in 1961 for 33,660 shares at prices ranging from \$40.755 to \$45.99. Options issued under the 1959 Plan are exercisable during a period of seven years from date of issuance cumulatively to the extent of 25% of the number of shares at the end of each of the second, fourth, fifth and sixth years from date of issuance. Options for 130,675 shares permitted to be issued under the 1959 Plan remained unissued at December 30, 1961.

On October 20, 1961 the remaining 67,931 outstanding shares of preferred stock were called for redemption at the applicable redemption price of \$20.50 plus an amount equal to the accrued dividend to such date of \$.05 a share, or a total of \$20.55, whereupon the Certificate of Incorporation was amended to eliminate this class of capital stock from the shares authorized to be issued by the Company. As approved by stockholders on May 16, 1961 the Certificate of Incorporation was also amended in 1961 to increase the number of authorized common shares from 5,000,000 to 10,000,000 shares.

Under the Loan Agreement there are certain restrictions on the Company in declaring or paying any dividends (otherwise than in shares of capital stock of the Company) or making, or permitting any "restricted" subsidiary to make (otherwise than in shares of capital stock of the Company) any purchase, redemption or retirement of, or any other distribution upon, any shares of capital stock of the Company. Of the consolidated earned surplus at December 30, 1961 approximately \$16,057,000 was not restricted as to payment of dividends or purchase or redemption of stock.

NOTE F—RENTALS UNDER LEASES OF REAL PROPERTY:

American Broadcasting-Paramount Theatres, Inc. and its consolidated subsidiaries were liable as of December 30, 1961 under 250 leases of real property expiring subsequent to December 31, 1964 under which the minimum annual rental was approximately \$5,152,000. The minimum annual rentals stipulated in these leases which expire during the three five-year periods ending December 31, 1979 and subsequent to that date are as follows:

Leases expiring:

During the 5 years ending:	
December 31, 1969.....	\$2,256,000
December 31, 1974.....	1,049,000
December 31, 1979.....	986,000
Subsequent to December 31, 1979.....	861,000
	<u>\$5,152,000</u>

NOTE G—CONTINGENT LIABILITIES:

The Company and its subsidiaries have contingent liabilities under pending litigation, including anti-trust suits, to many of which a predecessor company, Paramount Pictures Inc., and other major motion picture companies are defendants. Under the Plan of Reorganization of Paramount Pictures Inc., the Company assumed 50% of the expense and liability incurred in connection with anti-trust litigation where distribution and exhibition are involved and which is based upon occurrences prior to the dissolution of Paramount Pictures Inc. on December 31, 1949. Payments of \$187,254 made during the year with respect to such litigation were charged to capital surplus.

The Company has an obligation to the sellers of The Prairie Farmer Publishing Company measured by a percentage of profits of that company and its subsidiaries over the next 4¼ years. The amount of liability is not presently determinable but any payment will represent additional intangibles not presently subject to amortization.

Opinion of Independent Accountants

To the Board of Directors and Shareholders of
American Broadcasting-Paramount Theatres, Inc.


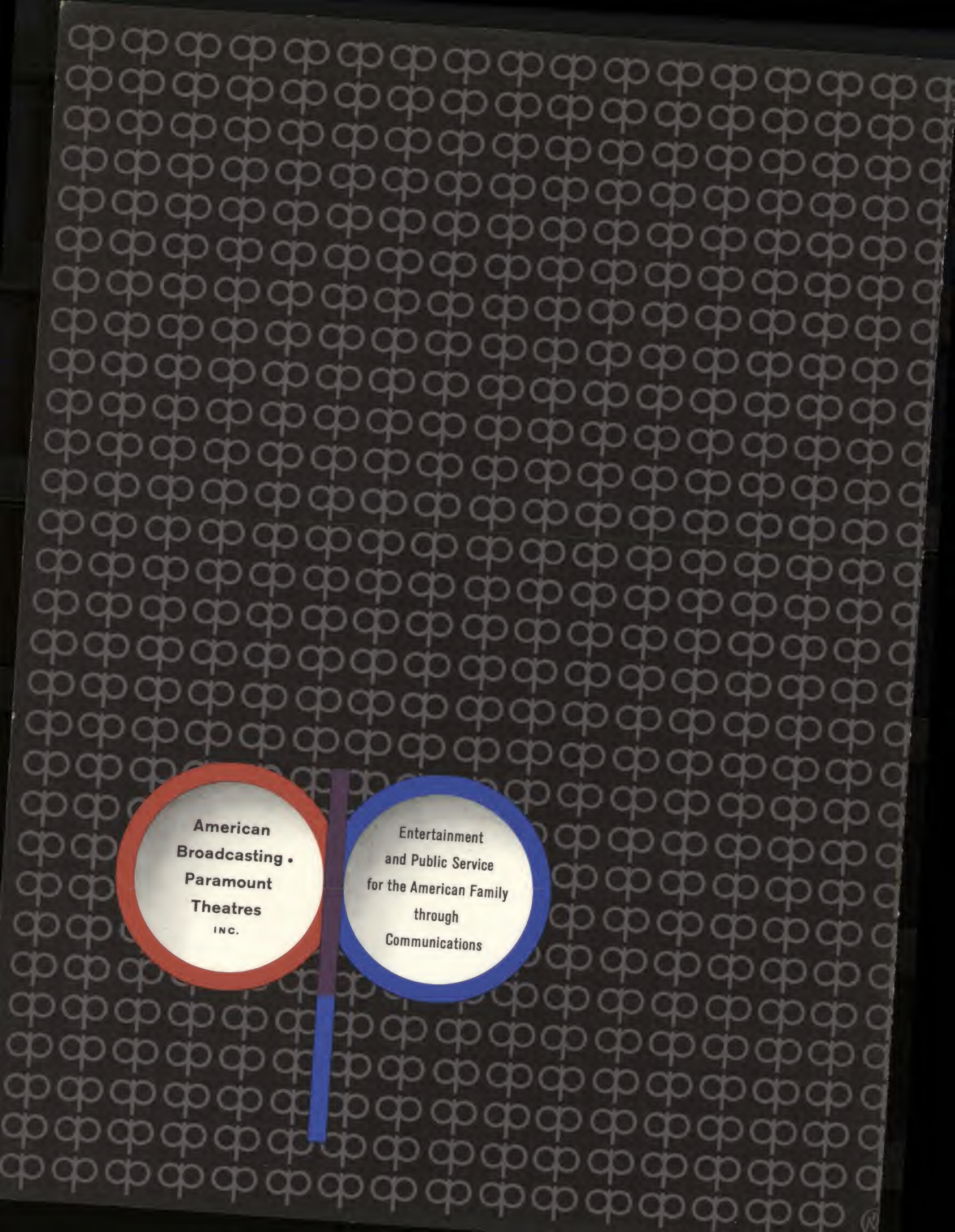
In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus present fairly the financial position of American Broadcasting-Paramount Theatres, Inc. and consolidated subsidiary companies at December 30, 1961 and the results of their operations for the fiscal year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, N. Y.
March 19, 1962


PRICE WATERHOUSE & CO.

The historic orbital flight of Lt. Col. John Glenn was dramatically and vividly reported to the people of the United States and abroad through the unprecedented coverage by American television and radio networks on February 20, 1962.





American
Broadcasting •
Paramount
Theatres
INC.



Entertainment
and Public Service
for the American Family
through
Communications